

LEGISLATIVE AUDIT COMMISSION



Review of
Department of Agriculture
DuQuoin State Fair
Two Years Ended September 30, 1999

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REVIEW: 4127
DEPARTMENT OF AGRICULTURE
DUQUOIN STATE FAIR
TWO YEARS ENDED SEPTEMBER 30, 1999

FINDINGS/RECOMMENDATIONS - 10

ACCEPTED - 6
IMPLEMENTED - 4

REPEATED RECOMMENDATIONS - 1

PRIOR AUDIT FINDINGS/RECOMMENDATIONS - 3

This review summarizes an audit of the Department of Agriculture, DuQuoin State Fair, for the two years ended September 30, 1999, filed with the Legislative Audit Commission September 7, 2000. The auditors performed a compliance audit. The financial statements of the State Fair were included within the scope of the Single Audit of the entire Department.

During 1985, the Jabr family, owners of the DuQuoin State Fair, approached Governor Thompson and asked for financial assistance in operating the Fair. Governor Thompson agreed subject to the Jabrs selling the property to the State. In March 1986, the State took possession of the DuQuoin State Fairgrounds and additional property surrounding the Fairgrounds. The Fair became an operating entity of the Division of Fairs and Horseracing of the Department of Agriculture. The Fair is held to promote agriculture and the agriculture industry, and to provide for exhibits and activities in the fields of industry, education, arts and crafts, labor, and entertainment to the people of Southern Illinois. The DuQuoin State Fair Manager is Sammye Fark.

The number of full-time employees was:

Full-Time Employees	1999	1998	1997
Administration	5	5	5
Competitive Events	0	0	0
Fair Activities	0	0	0
TOTAL	5	5	5

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The number of temporary employees was:

Temporary Employees	September- May	June	July- August	Total
State Fair:				
1999	4	7	170	181
1998	2	4	225	231
1997	0	2	185	187
Bureau of Buildings & Grounds:				
1999	6	12	123	141
1998	6	7	112	125
1997	8	11	125	144

Shown below is a summary of attendance and tickets sold (unaudited) at the DuQuoin State Fair:

	1999	1998	1997
<i>Estimated attendance</i>	411,749	400,633	400,000
<i>Parking fees - tickets</i>	44,994	44,174	47,985
<i>Grandstand shows - tickets</i>	21,750	21,757	28,339

Financial Statements

The DuQuoin State Fair uses a September 30 fiscal year in order to better match transactions to the activities of a given State Fair. However, the statement does not include all Department of Agriculture expenses related to Fair activity (i.e., Department officials' payroll expenses for work pertaining to the Fair, administrative overhead expenses, and capital improvements) due to the difficulty of allocating these expenses. Revenues and expenditures relating to pari-mutuel wagering are presented separately and are not included in the statements.

Appendix A contains a summary of the revenues and expenditures for FY99 and FY98. As shown in the table, the Fair experienced a deficiency in both years. Appendix B provides a schedule of receipts for the same fiscal years.

The auditors performed a revenue and expense analysis of the grandstand and pari-mutuel wagering events held during the Fair. The auditors were unable to perform a revenue and expense analysis of the competitive events because detailed allocations of expenditures were not maintained due to the elimination of a job position. As a result of the auditors'

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testing, no findings were noted. The auditors did note the Fair incurred deficits for grandstand events totaling \$914,320 and \$110,832 in 1999 and 1998,

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respectively. Also, pari-mutual wagering resulted in deficits of \$59,019 and \$48,460 in 1999 and 1998 respectively.

Total revenue increased from \$978,576 in FY98 to \$1,003,849 in FY99. Expenditures increased from \$1,864,674 in FY98 to \$1,878,727 in FY99. There were deficits of approximately \$880,000 in both years.

Pari-Mutuel Wagering

The State contracted jointly with Maywood Park Trotting Association and Balmoral Race Club in 1999 and 1998 to conduct the pari-mutuel wagering operations at the DuQuoin State Fair. The contracts for 1999 and 1998 stated that the contractor will conduct the wagering operations at the Springfield and DuQuoin State Fairs for a fee of \$25,000 per year. The DuQuoin Fair's share of the payment was \$12,500. The DuQuoin State Fair paid Maywood \$59,019 and \$48,460 for losses on its 1999 and 1998 contracts.

Accountant's Findings and Recommendations

Condensed below are the 10 findings and recommendations presented in the audit report. Of these, one is repeated from prior audits. The following recommendations are classified on the basis of information provided by Nancy Hilger, Internal Auditor, via electronic mail received October 23, 2000.

Accepted

2. No further expenditures for promotional activities for the Fair should be from the State Fair Promotional Activities Fund.

Findings: Fair officials made expenditures of \$34,914 in 1999, and \$12,145 in 1998 from the State Fair Promotional Activities Fund for the DuQuoin Fair which were not authorized by statute.

Response: **Accepted.** Once the appropriation/spending authority for the DuQuoin Fair is associated with the Agricultural Premium Fund, the Department will cease making expenditures from the State Fair Promotional Activities Fund.

3. Deposit all future advertising revenue in the Agricultural Premium Fund.

Findings: Fair officials deposited advertising revenue in excess of \$88,000 for 1999 and 1998 in the State Fair Promotional Activities Fund instead of the Agricultural Premium Fund as required by statute.

Accepted - concluded

Response: Accepted. Once the appropriation/spending authority for the advertising and promotional revenue is associated with the Agricultural Premium Fund, the Department will begin depositing that revenue into the Agricultural Premium Fund.

4. Prepare reconciliations of receipts to the Comptroller's reports on a timely basis.

Findings: The DuQuoin Fair did not timely reconcile the 1998 and 1999 Fair receipts to the monthly revenue status reports of the Office of the Comptroller. It is the responsibility of the Department to identify receipts that clear through the Treasurer's clearing account and direct the Treasurer to transfer funds to specified accounts.

Response: Accepted. The Department is in the process of implementing procedures to reconcile receipts to the monthly revenue status reports of the Office of the Comptroller on a monthly basis beginning with June 2000. Money received is being moved from the clearing account to the fund in a timely manner.

6. Either discontinue the practice of selling tickets for the lessees or modify the contracts to provide for segregating lessees' collections from funds of the Fair, with the lessees incurring the costs of credit cards, ticket contractor fees and bad checks.

Findings: The Fair collected ticket admission fees for auto races, horse races, and gospel shows even though it was not required to do so by contract. This caused the Fair to unnecessarily incur costs for Fair personnel, credit card fees, losses on bad checks and fees of the ticket contractor. The lease agreements stated that the Fair is responsible for providing ticket booths, but not to sell tickets for the events.

Response: Accepted. The Department will continue to sell tickets to all Grandstand events. The Department will ensure that future contracts with the lessees provide specifically for the services rendered by the Fair, and provide for the Department to bill the contractor for credit card fees, bad checks, and ticket contractor fees.

9. Do not make payments for services for which appropriations have lapsed.

Findings: The Fair paid an invoice for \$6,300 in October 1999 from FY2000 funds even though the expense was incurred during 1998.

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Response: Accepted. The Department inadvertently made this payment from the incorrect appropriation. The Department will inform the contractor of the time limits for submitting requests for payment.

10. Implement a new accounts receivable system and comply with the required SAMS collections procedures.

Findings: The Fair did not prepare or submit a listing of accounts receivable. For both years covered in the audit report, the Fair did not maintain aged listings of accounts receivable and report them to the Comptroller as required by SAMS. Audit procedures revealed that no accounts receivable system for Fair receivables was utilized for 1998 and 1999. Department officials stated that the person formerly responsible for non-Fair space rental was no longer employed by the Department and that other Fair personnel did not know how to readily access the information.

Response: Accepted. The Department will develop an accounts receivable system for the DuQuoin Fair, and ensure that it complies with SAMS collection procedures.

Implemented

- 1. Review space rental contracts for dated signatures before non-Fair events. Develop a standard form which would require the lessee to document how many campers and stall rentals occurred during the event. Collect all non-Fair space rental fees in a timely manner. Consider implementing a finance charge or late payment penalty for late payments. (Repeated-1997)**

Findings: The auditors noted several weaknesses in the contracting and collection processes for space rentals during non-Fair periods at the DuQuoin State fairgrounds.

- During the testing of 48 non-Fair space rental agreements, 42 agreements did not have dual dates on the signatures. Thirteen were dated by the lessee and not the Fair manager, and 29 were dated by the Fair manager and not the lessee. Without proper dates, it is difficult to determine if the agreement was signed by both parties before the services commenced;
- During the prior audit, it was noted that the Department did not physically count or verify the number of campers or stall rentals for non-Fair activities to assure that proper fees are being collected by the Department. The finding recommended a standard form be developed to require the lessee to document the numbers of campers and stall rentals during events and recommended spot checks be performed during the events.

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- Payments for eight of the 48 non-Fair space rental agreements tested were not received in a timely manner in accordance with the contract. Payments from lessees were four to 57 days past due. Department officials stated that they do not have a policy for collection of these accounts receivable, but are in the process of creating a new system.

Implemented - concluded

Response: Implemented. The Department has implemented procedures to ensure that: all current and future contracts are properly dated; all non-fair rental fees are collected in a timely manner; and, a permanent record of campers and stall rentals is maintained.

5. Include the timely preparation of departmental reports of cash receipts and reconciliations to the various department records in future procedure for cash receipts. Record fiscal management receipt numbers to assist in identification of the deposits.

Findings: The Fair changed its procedures for the recording and reconciliation of cash receipts in 1999. Deposits were consolidated into a single deposit, and the fiscal management receipt numbers were no longer recorded. Monthly reports were not prepared, and there were no monthly reconciliations of the amounts to the various Fair Departments' records of cash receipts. Reconciliations were completed in June 2000 at the auditors' request.

Response: Implemented. Effective July 1, 2000, the Department is tracking fiscal management receipts by department, and recording receipts by revenue code. Receipts are reconciled on a monthly basis.

7. Maintain adequate and complete records of revenue received.

Findings: Beginning in 1999, the Ticket Department did not maintain a ledger that classifies receipts by type or source. The Ticket Department received revenue for lessees and for the Grandstand shows during the Fair. The Ticket Department prepared ad daily sales summary and compared it to Ticketmaster sales, but did not have records to provide cumulative totals for the period. The lack of adequate records of transactions prevents preparation of detailed financial statements for reporting and management purposes.

Response: Implemented. The Department is now maintaining adequate and complete records of revenue received.

8. Deposit receipts timely in accordance with State statute.

Findings: The Ticket Office did not make deposits of receipts in a timely manner. During the audit period, the Ticket Office frequently forwarded money received for tickets and camping to the Central Cashier several days after receipt. There were nine instances of receipts greater than \$10,000 being deposited from three to 14 days after receipt.

Response: Implemented. The Department is now depositing receipts in compliance with State statute.

